

Paid Sick Leave Does Not Harm Business Growth or Job Growth

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Introduction and Context

A bill in the New York City Council guaranteeing workers the right to earn paid sick leave is closely modeled on a law enacted by San Francisco in 2007. By examining the impact of San Francisco's law we can better understand the likely impact of paid sick leave legislation on businesses and employment in New York City.

This study presents new data on employment in San Francisco and finds no evidence that job growth has been harmed by paid sick leave.¹ For the first time, we also analyze growth in the overall number of business establishments and similarly find no evidence of any negative impact. Since San Francisco's paid sick leave law was enacted, both job growth and business growth in San Francisco have consistently been greater than in the five neighboring counties of the Bay Area, none of which have enacted paid sick leave. Business growth has been greater in San Francisco for small businesses as well as large businesses, and in specific industries such as retail, food service, and accommodations.

Although there is not sufficient evidence to conclude that paid sick time increases employment or business growth, the main findings here are consistent with a large and growing body of research that shows paid sick leave to be a cost-effective policy with positive outcomes for employers and employees, including increased worker productivity, reduced spread of illness, and other health and economic benefits.

Key Findings

- In the three years since San Francisco became the first city in the country to implement a paid sick leave law, job growth there has consistently been higher than in neighboring counties without such a law.
 - Total employment in San Francisco increased by 3.5 percent between the first two quarters of 2006, immediately before the passage of paid sick leave, and the first two quarters of 2010, the latest period for which data is available. In contrast, total employment in the five neighboring counties cumulatively fell 3.4 percent during the same time period.
- The number of businesses has grown more rapidly in San Francisco than in neighboring counties since the implementation of paid sick leave.
 - Between 2006 and 2008, the number of business establishments in San Francisco grew by 1.64 percent while the number of establishments in the neighboring counties fell by 0.61 percent. Business growth was greater in San Francisco than in neighboring counties for both small and large businesses and in the industries widely considered to be most impacted by paid sick leave: retail and food service.

¹ This study is an update of an earlier study from the Drum Major Institute. See John Petro, "Paid Sick Leave Does Not Harm Employment." Drum Major Institute. 2010 March.

Methodology and Analysis

This study looks at the latest employment data from the California Employment Development Department to determine whether San Francisco's paid sick leave law has negatively impacted employment growth in the city. If so, we would expect to see less employment growth in San Francisco relative to 2006 levels--the year before paid sick leave was implemented in San Francisco--than in the neighboring counties that do not guarantee workers earned paid sick leave. However, we found that employment in San Francisco has consistently outperformed neighboring counties in the three years since the law's enactment. There is no evidence of any negative impact on job growth in San Francisco due to paid sick leave.

The average total employment--the total number of individuals employed--during the first two quarters of 2006 was compared with average total employment during the first two quarters of 2007, 2008, 2008, and 2010 in six adjacent counties in the San Francisco Bay Area: San Francisco, Alameda, Contra Costa, Marin, San Mateo, and Santa Clara.² We measured the percent change in employment over 2006 levels to determine whether paid sick leave had negatively impacted job growth.

We found that for each year after the enactment of paid sick leave, the rate of employment growth over 2006 levels was consistently greater in San Francisco than in neighboring counties, including wealthy Santa Clara County, home of Silicon Valley. Employment in San Francisco grew by 3.5 percent between the first two quarters of 2006 and the first two quarters of 2010, compared with a 3.4 percent decrease in the five surrounding counties. See Chart 1 in Appendix A.

While there is not sufficient evidence to claim that paid sick leave caused greater employment growth in San Francisco—we cannot determine causality—previous research has concluded that paid sick leave does indeed create economic benefits for employers.³ However, the purpose of this analysis is to look for any evidence of harmful effects on employment growth due to paid sick leave, and the lack of any such evidence shows that paid sick leave does not negatively impact job growth.

Next, we examined data from the U.S. Census⁴ on the number of business establishments located in the six counties of the Bay Area to determine whether paid sick leave has had a negative impact on business growth in San Francisco.⁵ If paid sick leave was negatively impacting businesses, we would expect less growth in the number of business establishments in San Francisco after the law's implementation relative to neighboring counties.

We compared the number of establishments in 2006 with the number in 2007 and 2008 for each of the six counties and measured the percent change over 2006 levels.⁶ We found that the rate of growth in the number of business establishments in San Francisco exceeded the rate of growth in all of the

² San Francisco is a consolidated city-county.

³ Vicky Lovell, Ph.D., *Valuing Good Health in San Francisco, The costs and benefits of a proposed paid sick days policy*. Institute for Women's Policy Research. 2006 July.

⁴ U.S. Census Bureau, County Business Patterns. Available at: <http://www.census.gov/econ/cbp/index.html>

⁵ Although data on the number of firms by county is not available, data is available on the number of establishments and examining it allows us to draw conclusions about paid sick leave and business growth in San Francisco. "Establishment" refers to "a single physical location where business is conducted or where services or industrial operations are performed." A firm, on the other hand, is a single business organization that has one or more establishments in different locations. For example, Starbucks is a single firm, but each Starbucks location is considered to be an individual establishment.

⁶ 2008 is the last year for which business establishment data are available.

neighboring counties, both individually and in aggregate. The number of establishments in San Francisco grew by 1.23 percent between 2006 and 2007, compared with only 0.74 percent in the five surrounding counties. Between 2006 and 2008, the number of establishments in San Francisco grew by 1.64 percent while the number of firms in the neighboring counties fell by 0.61 percent. See Chart 3 in Appendix A.

In order to measure whether small businesses were adversely impacted by paid sick leave, we performed the same analysis on the number of business establishments in the six counties grouped by establishment size. We examined the percent change in the number of establishments with 1-49 employees and those with more than 50 employees.⁷

We found that for each establishment size, San Francisco experienced a higher percentage of growth in the number of businesses relative to neighboring counties. In San Francisco, the number of establishments with fewer than 50 employees grew by 1.43 percent between 2006 and 2008 and the number of establishments with more than 50 employees grew by 5.15 percent. In neighboring counties, the number of establishments with fewer than 50 employees decreased by 0.65 percent and the number of establishments with more than 50 employees increased by only 0.04 percent. See Chart 4 in Appendix A.

Finally, we analyzed data on small establishments in specific industries likely to be most impacted by paid sick leave to determine whether the law harmed these types of businesses. In San Francisco, the number of retail and food service and accommodations establishments with fewer than 50 employees increased by 3.29 percent between 2006 and 2008. For the five neighboring counties, the number of these establishments grew by 0.28 percent. See Chart 5 in Appendix A.

As with the analysis of job growth, there is not sufficient evidence to claim that paid sick leave caused greater business growth in San Francisco. However, the lack of any evidence of negative effects strongly suggests that business growth is not negatively impacted by paid sick leave.

Discussion and Conclusion

The purpose of this analysis is to determine the likely impact of paid sick leave on business growth and employment growth in New York City if such a law were enacted by the City Council. Since the law under consideration in New York City is closely modeled on a law enacted by San Francisco in 2007, we examined the latest data from that city and compared it with data from neighboring counties.

Based on this analysis, we find no evidence that businesses in San Francisco have been negatively impacted by the enactment of paid sick leave. Employment growth in San Francisco was consistently greater in the three years since the enactment of paid sick leave than in neighboring counties. Business growth was also more favorable in San Francisco, even for small business establishments and businesses in retail and food service and accommodations.

⁷ In terms of the practical implementation of paid sick days for employers the distinction between establishments and firms is often minor for many businesses. In the first place, all small firms are also considered small establishments. Even a larger company made up of several small establishments could be expected to reveal negative effects from the paid sick time requirement more readily than large establishments: each individual small establishment would have fewer other employees available to cover for sick co-workers.

These findings are consistent with a growing body of research that shows that paid sick leave does not harm businesses, including an earlier report from the Drum Major Institute for Public Policy.⁸ While this analysis cannot determine causality, the absence of any negative impact on job growth relative to neighboring counties cannot be ignored. Previous research on paid sick leave offers plausible explanations for the positive results included in this study. Research by the Bureau of Labor Statistics found that the cost of implementing paid sick leave for employers is actually quite low. The average cost for a service-sector employee is only eight cents per employee hour worked. For all private sector employees in all sectors, the cost is 23 cents per employee hour.⁹ Additionally, research by the Institute for Women’s Policy Research has shown that paid sick leave can actually result in cost-savings for employers by increasing worker productivity, reducing the spread of illness, and reducing employee turnover.¹⁰

⁸ See John Petro. 2010 March. See also: John Schmitt, Hye Jin Rho, Alison Earle, and Jody Heymann. “Paid Sick Days Don’t Cause Unemployment,” Center for Economic and Policy Research. 2009 June.

⁹ U.S. Bureau of Labor Statistics, “Paid Sick Leave in the United States,” *Program Perspectives*, Vol. 2, Issue 2. 2010 March.

¹⁰ Vicky Lovell. 2006 July.

Appendix A

Chart 1: Percent Change in Employment Over 2006 Levels

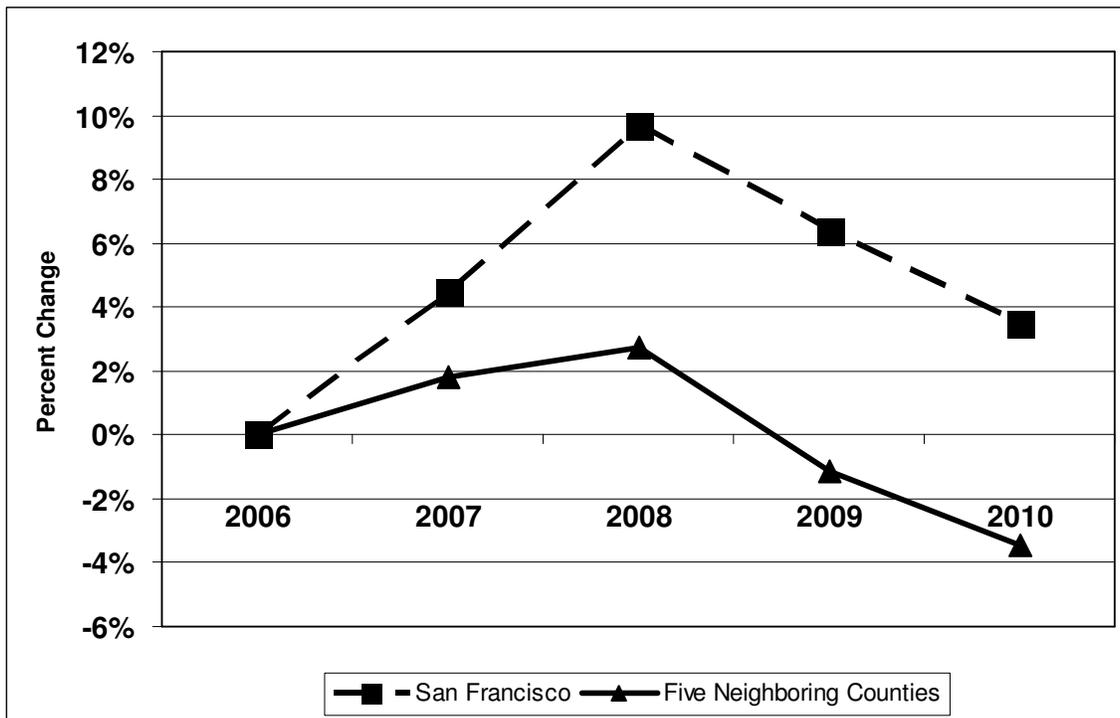


Chart 2: Percent Change in Employment, Jan-Jul 2006 to Jan-Jul 2008

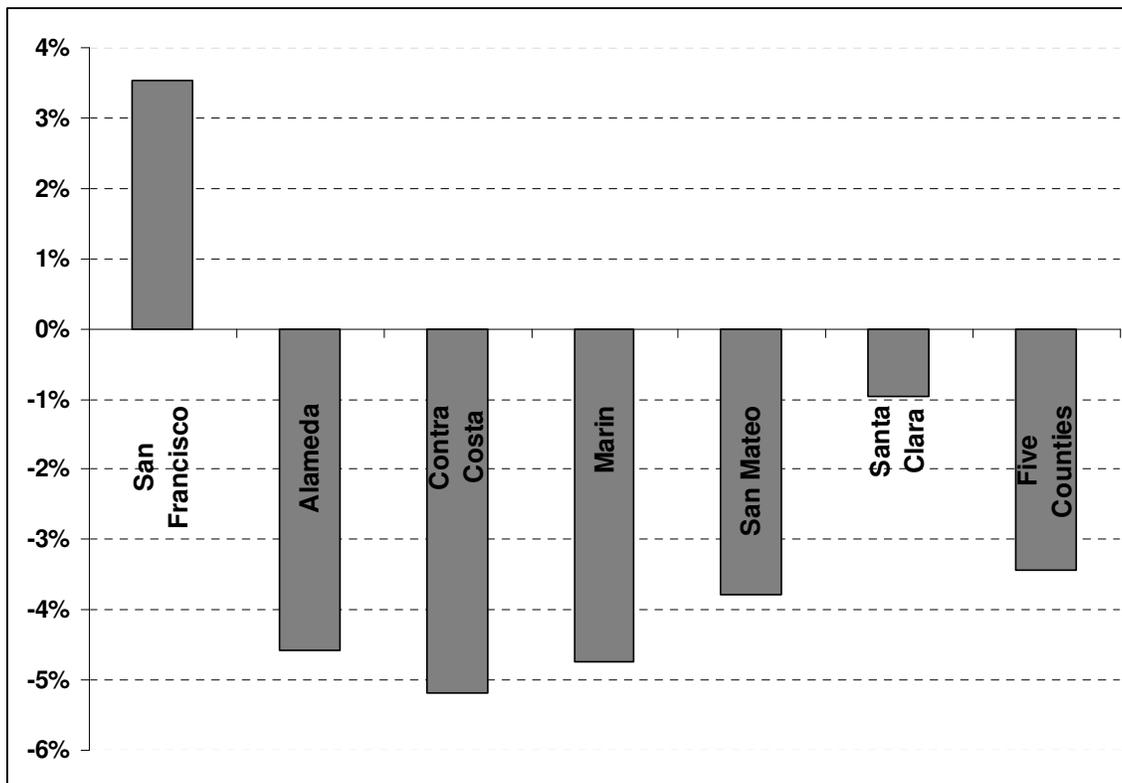


Chart 3: Percent Change in Number of Establishments, 2006-2008

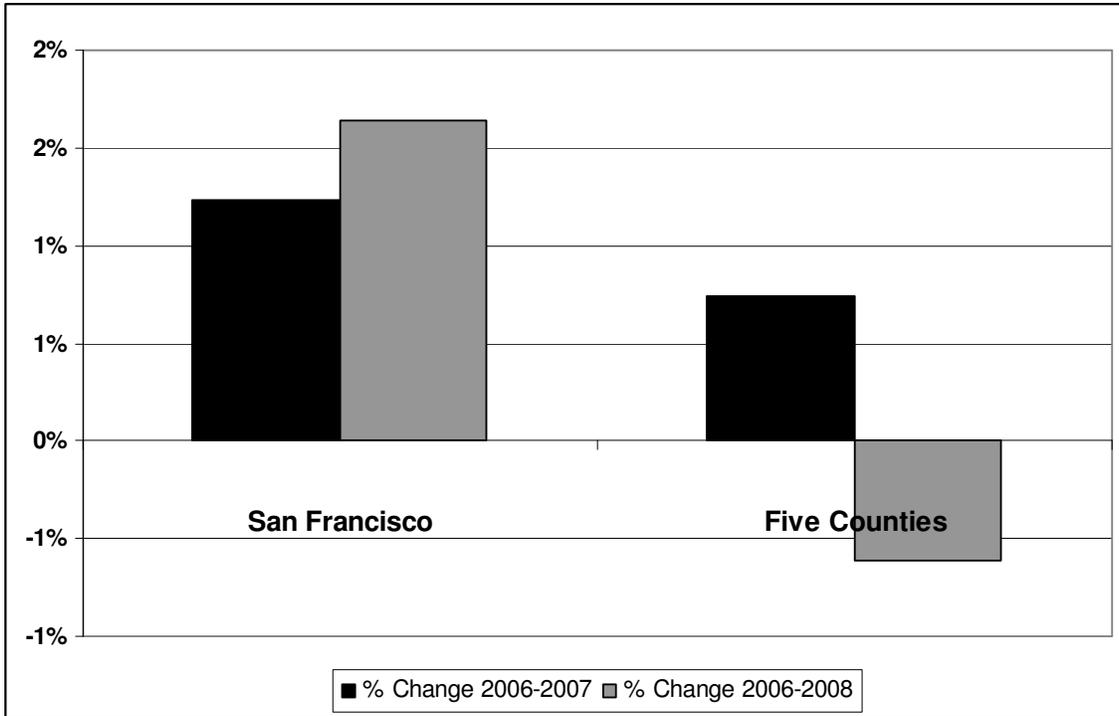


Chart 4: Percent Change in Number of Establishments, 2006-2008, By Establishment Size

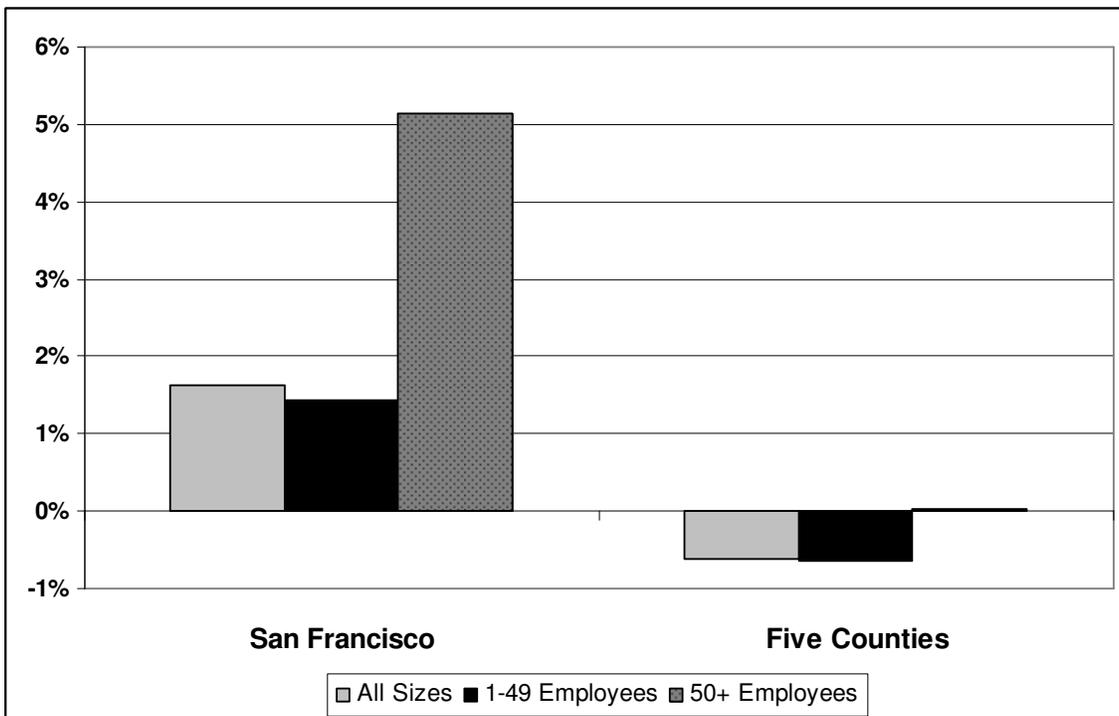
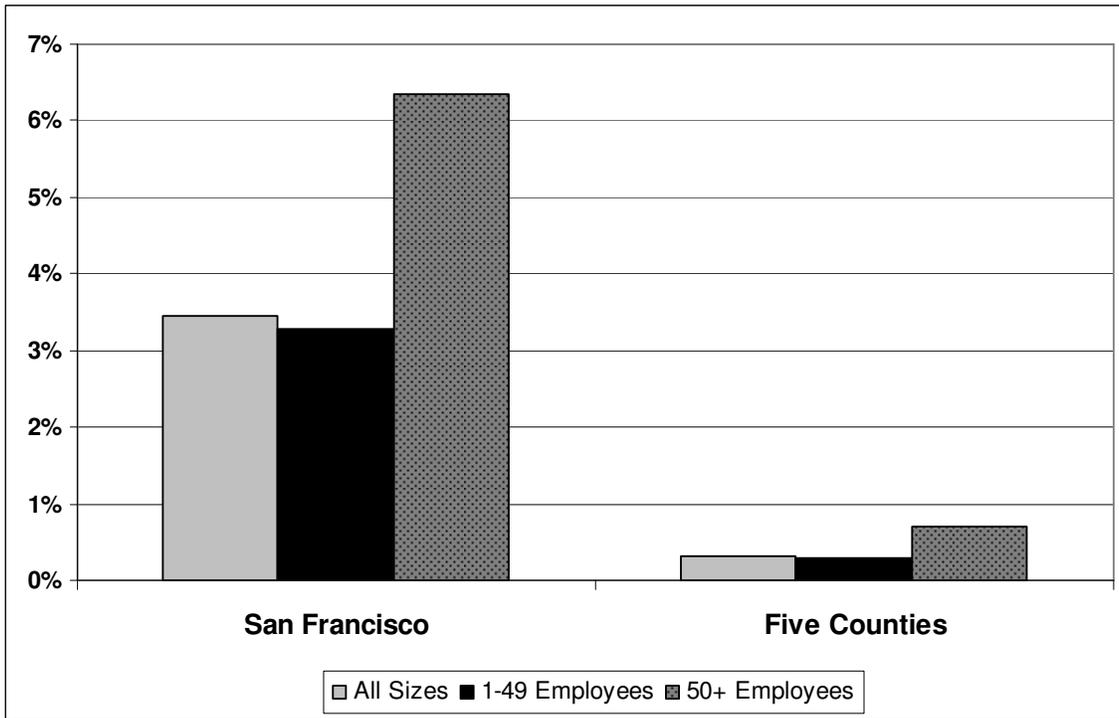


Chart 5: Percent Change in Number of Retail and Food Service and Accommodations Establishments, 2006-2008, By Establishment Size



Appendix B

Table 1: Total Employment

San Francisco					
	2006	2007	2008	2009	2010
Jan	394,300	412,900	432,700	427,100	407,700
Feb	395,500	415,400	433,400	426,900	409,600
Mar	396,600	415,600	434,300	424,400	410,200
Apr	397,000	411,900	435,900	422,600	411,500
May	396,600	413,000	434,500	417,900	412,300
Jun	397,300	414,100	435,700	415,800	410,200
Alameda					
	2006	2007	2008	2009	2010
Jan	698,400	711,900	716,500	697,700	663,400
Feb	699,700	714,300	715,700	695,300	667,500
Mar	701,200	716,900	715,600	690,600	670,300
Apr	700,100	709,000	715,800	688,600	669,500
May	700,800	710,600	712,500	680,000	670,700
Jun	702,400	712,200	714,500	679,200	669,100
Contra Costa					
	2006	2007	2008	2009	2010
Jan	486,600	491,400	496,100	483,300	459,300
Feb	487,500	493,100	495,500	481,300	462,100
Mar	488,600	494,900	495,400	478,100	464,000
Apr	487,800	489,400	495,600	476,700	463,500
May	488,200	490,600	493,300	470,800	464,400
Jun	489,400	491,600	494,600	470,200	463,200
Marin					
	2006	2007	2008	2009	2010
Jan	124,700	126,700	125,900	124,300	118,600
Feb	125,100	127,400	126,100	124,200	119,200
Mar	125,400	127,500	126,400	123,500	119,400
Apr	125,600	126,400	126,800	122,900	119,700
May	125,400	126,700	126,400	121,600	119,900
Jun	125,600	127,100	126,800	121,000	119,300
San Mateo					
	2006	2007	2008	2009	2010
Jan	347,100	354,300	353,900	349,400	333,500
Feb	348,200	356,400	354,500	349,200	335,100
Mar	349,100	356,600	355,200	347,100	335,600
Apr	349,500	353,400	356,500	345,700	336,600
May	349,100	354,400	355,400	341,800	337,200
Jun	349,800	355,400	356,300	340,100	335,500
Santa Clara					
	2006	2007	2008	2009	2010
Jan	777,500	801,600	820,900	801,800	765,200
Feb	779,200	803,600	818,900	797,000	770,000

Mar	781,400	806,200	821,400	790,700	773,400
Apr	782,300	799,000	820,100	786,900	775,400
May	782,300	801,500	818,200	778,300	778,300
Jun	782,900	806,100	821,500	777,500	780,100
Five County					
	2006	2007	2008	2009	2010
Jan	2,434,300	2,485,900	2,513,300	2,456,500	2,340,000
Feb	2,439,700	2,494,800	2,510,700	2,447,000	2,353,900
Mar	2,445,700	2,502,100	2,514,000	2,430,000	2,362,700
Apr	2,445,300	2,477,200	2,514,800	2,420,800	2,364,700
May	2,445,800	2,483,800	2,505,800	2,392,500	2,370,500
Jun	2,450,100	2,492,400	2,513,700	2,388,000	2,367,200

Table 2: Number of Establishments

San Francisco				San Mateo			
	2006	2007	2008		2006	2007	2008
All Industries				All Industries			
Total Firms	30112	30482	30605	Total Firms	20080	20417	20151
1-49 Employees	28442	28784	28849	1-49 Employees	18956	19294	18999
50+ Employees	1670	1698	1756	50+ Employees	1124	1123	1152
Retail				Retail			
Total Firms	3641	3686	3640	Total Firms	2220	2207	2158
1-49	3494	3537	3491	1-49 Employees	2049	2035	1987
50+	147	149	149	50+ Employees	171	172	171
Food Service Accommodations				Food Service Accommodations			
Total Firms	3367	3497	3610	Total Firms	1705	1772	1808
1-49 Employees	3136	3256	3357	1-49 Employees	1598	1655	1683
50+ Employees	231	241	253	50+ Employees	107	117	125
Alameda				Santa Clara			
	2006	2007	2008		2006	2007	2008
All Industries				All Industries			
Total Firms	37511	37626	37212	Total Firms	45228	45624	45116
1-49 Employees	35092	35229	34783	1-49 Employees	42374	42768	42236
50+ Employees	2419	2397	2429	50+ Employees	2854	2856	2880
Retail				Retail			
Total Firms	4435	4487	4410	Total Firms	5324	5350	5150
1-49 Employees	4130	4182	4103	1-49 Employees	4950	4968	4771
50+ Employees	305	305	307	50+ Employees	374	382	379
Food Service Accommodations				Food Service Accommodations			
Total Firms	3230	3361	3377	Total Firms	3869	4053	4142
1-49 Employees	3053	3189	3196	1-49 Employees	3600	3776	3872
50+ Employees	177	172	181	50+ Employees	269	277	270
Contra Costa				Five Counties			
	2006	2007	2008		2006	2007	2008
All Industries				All Industries			
Total Firms	23164	23290	22758	Total Firms	136059	137072	135227
1-49 Employees	21971	22143	21621	1-49 Employees	128104	129180	127269
50+ Employees	1193	1147	1137	50+ Employees	7955	7892	7958
Retail				Retail			
Total Firms	2820	2814	2675	Total Firms	15961	16004	15498
1-49 Employees	2602	2595	2462	1-49 Employees	14817	14850	14354
50+ Employees	218	219	213	50+ Employees	1144	1154	1144

Food Service Accommodations				Food Service Accommodations			
Total Firms	1739	1763	1768	Total Firms	11236	11641	11784
1-49 Employees	1626	1663	1672	1-49 Employees	10523	10924	11058
50+ Employees	113	100	96	50+ Employees	713	717	726
Marin							
	2006	2007	2008				
All Industries							
Total Firms	10076	10115	9990				
1-49 Employees	9711	9746	9630				
50+ Employees	365	369	360				
Retail							
Total Firms	1162	1146	1105				
1-49 Employees	1086	1070	1031				
50+ Employees	76	76	74				
Food Service Accommodations							
Total Firms	693	692	689				
1-49 Employees	646	641	635				
50+ Employees	47	51	54				